

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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ALPHA INTERNATIONAL, INC.,

Plaintiff,

- against -

T-REPRODUCTIONS, INC.,  
T-REPRODUCTIONS, LTD., L.L.C.,  
T.R. TRUCKS, L.L.C.,  
NORMAN A. THOMAS, JR.,  
and JOHN F. FREET, JR.,

Defendants.

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SHIRA A. SCHEINDLIN, U.S.D.J.:

OPINION AND ORDER

02 Civ. 9586 (SAS)

Alpha International, Inc. ("Alpha"), owner of the BUDDY "L" trademark, has sued T-Reproductions, Inc. ("TRI"), T-Reproductions, Ltd., L.L.C. ("TRL"), T.R. Trucks, L.L.C. ("Trucks"), Norman A. Thomas, Jr., and John F. Freet, Jr., alleging trademark infringement and various state offenses. Defendants now move to dismiss the complaint for lack of personal jurisdiction pursuant to Federal Rule of Civil Procedure 12(b)(2) or, in the alternative, to transfer the action. For the following reasons, defendants' motion is granted in part and denied in part.

**I. FACTUAL BACKGROUND**

**A. Background of the Case**

In August of 1998, Empire Industries, Inc. ("Empire") – the original owner of the BUDDY "L" trademark – executed a

license granting Thomas personal, non-exclusive rights to use the BUDDY "L" trademark, product design and trade dress to manufacture expensive replicas of BUDDY "L" toy vehicles and accessories. Complaint ("Compl.") ¶¶ 9, 15. With Empire's consent, Thomas assigned his rights under the license to Trucks in June of 1999. Id. ¶ 16. Two years later, Alpha acquired a complete interest in Empire's assets while Empire was in Bankruptcy. Id. ¶ 19. On June 27, 2001, Alpha, on consent of the Bankruptcy Court, rejected Trucks' license. Id. ¶ 20. Alpha notified the defendants of the rejection and, after negotiations to grant a new license failed, commenced this action when defendants allegedly continued to advertise and sell BUDDY "L" replicas. Id. ¶¶ 21-22.

#### **B. Jurisdictional Allegations**

Alpha is incorporated in Iowa, has executive offices in Cedar Rapids, Iowa, and sales offices in New York City. Id. ¶ 1. TRI, TRL and Trucks are separately incorporated in Tennessee, and all have offices at 227 W. Main Street, Johnson City, Tennessee. Id. ¶¶ 2-4. Thomas, an officer of TRI, is domiciled at 227 W. Main Street, Johnson City, Tennessee. Id. ¶ 5. Freet, Trucks' treasurer, is domiciled in York, Pennsylvania. Id. ¶ 6.

TRI continued displaying the BUDDY "L" trademark on its website after the license was rejected. See 4/9/03 Letter of Philip Furgang Responding to Limitation of Complaint to Include Only Trucks and Cars ("Limits Letter") at 4. The website allowed

customers to purchase BUDDY "L" toy vehicles by direct credit card payment or using a toll-free telephone number. See Limits Letter at 6, 10-12. TRI also continued to advertise BUDDY "L" products in a nationally circulated magazine, and mailed an advertisement to New York customers ("Direct Mailer") that allegedly infringed on BUDDY "L" trade dress. See Exs. 5-7 to 4/14/03 Affirmation of Philip Furgang ("Furgang Aff."), Plaintiff's Counsel. Defendants admit to six New York sales occurring after June 27, 2001, that "might be considered infringing . . . [of which] only one was an internet sale." See 4/9/03 Letter of Geoffrey Kressin (Defendants' attorney) Responding to Alpha's 4/5/03 Letter Requesting a Pre-Motion Conference ("Def. Ltr.") at 5.

## **II. LEGAL STANDARD**

The plaintiff bears the burden of showing that the Court has jurisdiction over a defendant who moves to dismiss pursuant to Rule 12(b)(2). See Metropolitan Life Ins. Co. v. Robertson-Ceco Corp., 84 F.3d 560, 566 (2d Cir. 1996). Prior to discovery, a plaintiff may defeat a motion to dismiss based on legally sufficient allegations of jurisdiction. See Jazini v. Nissan Motor Co., 148 F.3d 181, 184 (2d Cir. 1998). When the parties have conducted jurisdictional discovery but an evidentiary hearing has not been held, the plaintiff can prevail by averring facts that, if credited, would establish jurisdiction over the defendant. See Ball v. Metallurgie Hoboken-Overpelt,

S.A., 902 F.2d 194, 197 (2d Cir. 1990). Ultimately, however, the plaintiff must demonstrate personal jurisdiction over the defendant by a preponderance of the evidence. See Hoffritz for Cutlery, Inc. v. Amajac, Ltd., 763 F.2d 55, 57 (2d Cir. 1985).

### III. DISCUSSION

#### A. Personal Jurisdiction

The exercise of personal jurisdiction by a federal court is determined by looking to the law of the forum state. See Bensusan Restaurant Corp. v. King, 126 F.3d 25, 27 (2d Cir. 1997). If jurisdiction is appropriate under state law, a court must then determine whether the exercise of jurisdiction comports with due process. See Metropolitan, 84 F.3d at 567.

Alpha contends that this Court has jurisdiction over defendants pursuant to sections 302(a)(1), 302(a)(2)<sup>1</sup> and 301<sup>2</sup> of the New York Civil Procedure Law and Rules (N.Y. C.P.L.R.). See Supplemental Memorandum of Joshua Raskin (Plaintiff's attorney) in Opposition to Defendants' Motion to Dismiss for Lack of

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<sup>1</sup> N.Y. C.P.L.R. § 302(a) provides, in relevant part: "As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary . . . who in person or through an agent: (1) transacts any business within the state or contracts anywhere to supply goods or services in the state; or (2) commits a tortious act within the state . . . ."

<sup>2</sup> N.Y. C.P.L.R. § 301 provides: "A court may exercise jurisdiction over person, property, or status as might have been exercised heretofore." Under this statute, a non-domiciliary "doing business" in New York may be subject to a suit on any unrelated cause of action. See Hoffritz, 763 F.2d at 55.

Personal Jurisdiction and Improper Venue ("Pl. Mem.") at 5. Because I conclude that jurisdiction is appropriate under section 302(a)(1), I need not address sections 301 and 302(a)(2).

**\_\_\_\_\_1. Section 302(a)(1)**

Section 302(a)(1) governs personal jurisdiction in actions that arise out of business the defendant transacts, or contracts the defendant executes, within the state. See Beacon Enter., Inc. v. Menzies, 715 F.2d 757, 763 (2d Cir. 1983). Section 302 requires a "substantial relationship" between the business transaction and the claim asserted. See id. at 764 (quoting McGowan v. Smith, 52 N.Y.2d 268, 272 (1981)). But proof of just one New York transaction that relates to the cause of action is sufficient to show a "substantial relationship" and confer jurisdiction even when the defendant has never entered New York. See Hsin Ten Enter. USA, Inc. v. Clark Enter., 138 F. Supp. 2d 449, 455 (S.D.N.Y. 2000); Citigroup Inc. v. City Holding Co., 97 F. Supp. 2d 549, 564 (S.D.N.Y. 2000); Kreutter v. McFadden Oil Corp., 71 N.Y.2d 460, 467 (1988).

**a. TRI's Activities**

Alpha contends that TRI "transacted business" within the meaning of section 302(a)(1) when it used a website, a national magazine advertisement, and a Direct Mailer to sell accused merchandise to New York residents. See Pl. Mem. at 12-13. Alpha further alleges that the website, magazine

advertisement and Direct Mailer illegally displayed the BUDDY "L" trademark or trade dress. See id.

It is well settled that a court must examine the nature and quality of a defendant's activity on its website to determine whether jurisdiction is appropriate in New York. See Mattel, Inc. v. Adventure Apparel, No. 00 Civ. 4085, 2001 WL 286728, at \*3 (S.D.N.Y. Mar. 22, 2001) (citing cases). Websites that permit information exchange between the defendant and viewers are deemed "interactive," and generally support a finding of personal jurisdiction over the defendant. See, e.g., Hsin Ten, 138 F. Supp. 2d at 456; Citigroup, 97 F. Supp. 2d at 565.

TRI's website enabled users to purchase accused products via direct credit card payment or using a toll-free telephone number. See Limits Letter at 6, 10-12. Indeed, TRI has sold at least one accused product to a New York resident through its website. See Def. Ltr. at 5. Furthermore, defendants have continued to advertise the accused products in New York using a nationally circulated magazine and a Direct Mailer. See Exs. 5-7 to Furgang Aff.

There is a substantial relationship between trademark infringement claims and the use of a website advertisement that displays the allegedly infringing trademark. See Mattel, 2001 WL 286728 at \*4; Hsin Ten, 138 F. Supp. 2d at 456. Here, Alpha's claims arise directly from the continued or alleged unauthorized use of the BUDDY "L" trademark on the interactive website TRI

used to offer products to New York residents. Accordingly, jurisdiction over TRI under section 302(a)(1) is appropriate.

**b. Thomas' and Freet's Activities**

Alpha contends that Thomas and Freet have also transacted business in New York within the meaning of section 302(a)(1).

Individuals may be held liable for their corporate actions by "piercing the corporate veil," a doctrine that requires the plaintiff to show that the corporation is a shell entity used by the individual defendant to commit fraud. See Marine Midland Bank, N.A. v. Miller, 664 F.2d 899, 903 (2d Cir. 1981). When deciding whether to extend personal jurisdiction over an individual in New York, however, courts apply a less stringent test. See id. Jurisdiction extends to the employees of a corporation who had knowledge of, and extensive control over, the New York transaction that is the source of the litigation. See Retail Software Services, Inc. v. Lashlee, 854 F.2d 18, 22 (2d Cir. 1988) (citing Kreutter, 71 N.Y.2d at 467).

Here, Thomas clearly knew of and exerted substantial control over the New York transactions on which Alpha bases its claims. Thomas was the original owner of the BUDDY "L" license, is the head officer at TRI, shares his domicile with TRI's headquarters, and personally signed the Direct Mailer. Accordingly, jurisdiction over Thomas is appropriate under section 302(a)(1).

Not a single fact supports extending jurisdiction over Freet. His name appears only on Trucks' tax returns and there is no evidence that Freet had any control whatsoever over the New York sales or advertisements. See 4/22/03 Reply Memorandum of Geoffrey Kressin to Plaintiff's Supplemental Memorandum in Opposition to Defendants' Motion to Dismiss ("Reply") at 1, 4. Accordingly, the claims against Freet are dismissed.

**c. TRL's and Trucks' Activities**

Alpha asserts that TRL and Trucks have also transacted business in New York within the meaning of section 302(a)(1). Where a corporate subsidiary is essentially a separately incorporated department of a parent corporation, the subsidiary's activities will be attributed to the parent for the purpose of determining jurisdiction over the parent. See Canterbury Belts Ltd. v. Lane Walker Rudkin, Ltd., 869 F.2d 34, 40 (2d Cir. 1989). Courts have also held the converse to be true, where a parent's actions bring its subsidiaries under New York jurisdiction. See Dorfman v. Marriott Int'l Hotels, Inc., No. 99 Civ. 10496, 2002 WL 14363, at \*2 (S.D.N.Y. Jan. 3, 2002) (citing cases). To determine whether the subsidiary is a "mere department" of the parent, the Court must consider (1) "common ownership," which is "essential;" (2) "financial dependency of the subsidiary on the parent corporation;" (3) "the degree to which the parent corporation interferes in the selection and assignment of the subsidiary's executive personnel and fails to observe corporate



formalities;" and (4) "the degree of control over the marketing and operational policies exercised by the parent." See Jazini, 148 F.3d at 184-85 (quoting Volkswagenwerk Aktiengesellschaft v. Beech Aircraft Corp., 751 F.2d 117, 120-22 (2d Cir. 1984)).

Other factors include whether parent and subsidiary share (5) common officers; (6) books and accounts; and (7) business departments. See Aerotel, Ltd. v. Sprint Corp., 100 F. Supp. 2d 189, 194 n.6 (S.D.N.Y. 2000).

Here, the evidence shows that Thomas is both an officer at TRI, and a partner at Trucks. See Trucks' Tax Returns, Ex. 3 to Furgang Aff. Furthermore, all three corporations and Thomas list the same mailing address. With respect to the invoices defendants produced that are titled, "T-Reproductions Invoice," defendants assert, "[c]learly these are only T-Reproduction invoices." See Reply at 4. Defendants themselves fail to differentiate between TRI and TRL. Finally, in response to Alpha's request for defendants' tax returns, only Trucks produced returns, begging the question as to whether TRI and TRL file separately, or if the tax returns produced represent the income generated by all three corporations.

Although the facts suggest a close relationship among the corporate defendants, it is improper to extend jurisdiction over TRL and Trucks until a finding of common ownership can be made. Accordingly, the parties are directed to conduct expedited discovery on the issue of the corporate relationship between TRI,

TRL and Trucks.

### **3. Due Process**

The Second Circuit has summarized the due process requirements for exercising personal jurisdiction over a foreign defendant:

The due process clause of the Fourteenth Amendment permits a state to exercise personal jurisdiction over a non-resident defendant with whom it has "certain minimum contacts . . . such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" In determining whether minimum contacts exist, the court considers "the relationship among the defendant, the forum, and the litigation." To establish the minimum contacts necessary to justify "specific" jurisdiction, the plaintiff first must show that [its] claim arises out of or relates to defendant's contacts with the forum state. The plaintiff must also show that the defendant "purposefully availed" [itself] of the privilege of doing business in the forum state and that the defendant could foresee being "haled into court" there.

Chew v. Dietrich, 143 F.3d 24, 28 (2d Cir. 1998) (alterations and citations omitted).

TRI maintains an interactive website from which at least one New York resident purchased an accused product. Additionally, TRI advertised its merchandise in a nationally circulated magazine, sent the Direct Mailer to New York residents, and sold at least 143 items to New York residents since April of 2000. See Reply at 4. By virtue of these business activities in New York, TRI -- and thereby Thomas -- have purposefully availed themselves of the privilege of

conducting business in New York and should have reasonably anticipated being sued here. See Mattel, 2001 WL 286728 at \*4 (holding that a single internet sale to a forum state resident satisfied the due process requirement in a trademark infringement case); Hsin Ten, 138 F. Supp. 2d at 457 (holding that displaying an allegedly infringing trademark on a website used to sell products to forum state residents satisfied the due process requirement); Basquiat v. Kemper Snowboards, No. 96 Civ. 0185, 1997 WL 527891, at \*5 (S.D.N.Y. Aug. 25, 1997) (holding that sales of infringing products to a forum state resident satisfied the due process requirement). Thus, the exercise of jurisdiction over these defendants does not offend traditional notions of fair play and substantial justice.

#### **B. Venue**

Venue for trademark infringement claims is governed by section 1391 of Title 28 of the United States Code. Venue over TRI is proper because TRI is a corporation and is subject to personal jurisdiction in this district. See 28 U.S.C. § 1391(c). Venue is proper over Thomas because a "substantial" part of the events related to the claim occurred in New York. See 28 U.S.C. § 1391(b)(2); see also D'Anton Jos, S.L. v. Doll Factory, Inc., 937 F. Supp. 320, 321 (S.D.N.Y. 1996) (defining "substantial" as an effort to market infringing products in New York for the purposes of venue).

### C. Transfer

Defendants alternatively move to transfer the case to Tennessee. Section 1404(a) of Title 28 of the United States Code requires the defendant to make a "convincing showing" that the action would be better litigated elsewhere.<sup>3</sup> Alonso v. Saudi Arabian Airlines Corp., No. 98 Civ. 7781, 1999 WL 244102, at \*6 (S.D.N.Y. Apr. 23, 1998). Defendants offer neither facts nor argument in support of their request for transfer. Defendants' only reference to transfer comes in half a sentence in their prayer for relief: "[Defendants] request that the Court grant their motion to dismiss, or in the alternative, transfer the case to the United States District Court for the Eastern District of Tennessee." See 1/27/03 Amended Memorandum of Brian Murphy in

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<sup>3</sup> Section 1404(a) provides: "For the convenience of the parties and witnesses, in the interests of justice, a district court may transfer any civil action to any other district or division where it might have been brought." The defendant must make a "convincing showing" that the action would be better litigated elsewhere. Alonso, 1999 WL 244102, at \*6; see also Gulf Oil v. Gilbert, 330 U.S. 501, 508 (1947) ("Unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed."). Relevant factors include (1) the convenience to parties and witnesses; (2) the weight accorded to plaintiff's choice of forum; (3) the forum's familiarity with the governing law; (4) trial efficiency and the interests of justice; (5) the relative ease of access to sources of proof; (6) the situs of the operative facts; (7) the ability to compel attendance of unwilling witnesses; and (8) the relative means of the parties. See Berman v. Informix Corp., 30 F. Supp. 2d 653, 657 (S.D.N.Y. 1998). Of these factors, plaintiff's choice of forum is usually given the greatest weight, but when the plaintiff is a nonresident and the operative facts bear little connection to the chosen forum, plaintiff's choice is shown less deference. See id. at 657-59.

Support of Defendants' Motion to Dismiss at 9. This statement alone does not satisfy the section 1404(a) transfer requirements. Accordingly, defendants' motion to transfer is denied.

#### **IV. CONCLUSION**

For the reasons set forth above, defendants' motion is granted in part and denied in part. The motion is denied with respect to TRI and Thomas, the claims against Freet are dismissed, expedited discovery is ordered and a conference is scheduled for 4:30 p.m. on July 30, 2003, in courtroom 12C.

SO ORDERED:

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Shira A. Scheindlin  
U.S.D.J.

Dated: New York, New York  
June 27, 2003

**-Appearances-**

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